

## Statement of Budgetary Resources Segment Package Executive Summary

The Marine Corps has made improvements to their financial environment and condition by assigning accountability and responsibility throughout standardized processes, environmental and compensating internal controls, and system processing.



Some of the financial management initiatives include:

- Implemented interfaces with BEA target systems
- Completed JFMIP/FSIO testing of core accounting systems (SABRS)
- Implemented and maintained the SABRS core financial system
- SABRS is SFIS compliant and interfaced with BEIS/DDRS
- Developed and implemented performance reports and metrics
- Implemented automated Tri-Annual review process
- Re-established Internal Review functions within Comptroller's offices
- Implemented Cost of War Collection and Reporting
- Implemented data standardization for Installations and Operating Forces
- Developed a USMC website that houses the single authoritative source of information, procedures, policies, and guidance to field activities
- Designed and developed monthly and quarterly SBR processes

These financial management initiatives have assisted the Marine Corps in achieving the following milestones:

- Reduced DFAS bill by \$3M in FY07 and \$6M in FY08
- Improved obligation validation process resulting in less than 1% requiring redistribution compared to 5% in FY05
- Produced a 70% reduction in interest penalty cost from FY 04 to FY 06
- Produced a 60% reduction in interest paid from FY 04 to FY 06

These improvements along with others attribute to the Marine Corps commitment and determination in achieving financial accountability.

## Significance of the SBR

As stated in Government Accountability Office, Guide for Auditing the Statement of Budgetary Resources, "the audit of the SBR and related disclosures provides the means to assess the reliability of reported budget execution data and a tool to help assess the reliability of the amounts reported as "actual" in the President's Budget. The audit also includes the testing of significant provisions of relevant laws and regulations that have a direct and material effect on the financial statements, including budget restrictions."



The SBR and related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement predominantly derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government.

Information on the SBR should be reconcilable to the budget execution information reported on the SF 133 *Report on Budget Execution and Budgetary Resources* and with information reported in the Budget of the United States Government to ensure the integrity of the numbers presented. The SBR is an agency-wide report, which aggregates account-level information reported in the SF 133.

USMC General Fund financial management system which includes processes, procedures, direct and compensating internal controls, SABRS core financial system controls are integral in supporting the objectives of budget execution and reporting. The SBR segment package provides documented evidential matter to support the USMC General Fund Management assertions and confidence in the budgetary processes.

## Objective

In support of the FII, this segment package for the Statement of Budgetary Resources (SBR) is a compilation of documents that identify the current state of internal control, business processes and procedures, information systems, and resolutions to known deficiencies used to support the *Discovery Phase* of the Office of the Under Secretary of Defense (OUSD) Financial Improvement Business Rules.

## Purpose and Scope

The purpose of this Statement of Budgetary Resources (SBR) segment package is to present the documented current state of the SBR. The SBR segment package has been prepared to provide Office of Undersecretary of Defense (Comptroller) (OUSD) and the Department of Defense, Office of Inspector General (DoD IG), with information on which to provide support of the future FY 2009 state of audit readiness. The current state assessment and the future state focused remediation efforts are intended to provide with documented evidence of USMC General Fund Management assertion confidence in the Statement of Budgetary Resource principal financial statement. This package will reflect that the Marine Corps and DFAS have established consistent and sustainable business processes that promote reporting of accurate, timely, and relevant financial information to Marine Corps leadership and external entities.

This package presents the Marine Corps processes, procedures, and key controls designed and used to compile the financial statements from the transaction level details resident in the core accounting system, the Standard Accounting, Budgeting and Reporting System (SABRS), through the Defense Departmental Reporting System (DDRS), to the presentation of the Marine Corps General Fund Financial Statements. The current state of these processes have been evaluated through several test efforts including, but not limited to:



- OMB A-123, Appendix A Internal Control of Financial Reporting (ICOFR) test of key controls
- Field Operation Tests Agreed Upon Procedures evaluation
- Document Collection and Attribute Testing

For the purposes of this package, only the processes and procedures used to compile Statement of Budgetary Resources is presented. This package is intended to present Marine Corps confidence in their own documented, sustained, and repeatable processes and procedures.

The scope of this package includes the business processes, procedures, and systems that are utilized during the SBR transaction processes and in SBR financial statement compilation process. The processes and procedures documented are as of the period 10/01/07 through 7/31/08.

The purpose of this package provides an overview of the business events associated with the SBR. The types of business events are as follows:

- Commitments
- Obligations
- Expense
- Liquidation
- Collection
- Reconciliation

The scope of our activities is defined by the operations, organizations, and activities of the Marine Corps and the supporting processes, systems, and internal controls relating to the Budgetary Resources that are available and readily identifiable. This segment package is a living document that will continue to be updated as the Marine Corps continues its financial improvement process.

### Segment Package Content

The SBR segment package charts sound financial management by detailing an integrated path that includes the documentation of seven key sections. These sections are as follows:

- A. General Fund Reporting Entity:** This section defines the Marine Corps General Fund Reporting Entity. It segregates Marine Corps responsibility from the Department of the Navy. Moreover, it shows the complexity of the Marine Corps Enterprise, but also gives perspective into how the Marine Corps maintains a transparent financial environment through firm business processes and internal controls. (Refer to Tab A)
- B. Segment Overview:** This section defines the SBR segment and presents the environment of this segment. Specifically, this section will provide the procedures, processes and controls in place throughout the SBR segment. (Refer to Tab B)



- C. *Verification of Processes and Procedures:*** This section includes the results of verification efforts to include reconciliations, analysis and process validation checklists. These efforts were performed to demonstrate Marine Corps confidence in the documented processes and procedures. Based on the results of the verification efforts and the review of processes and procedures, observations were compiled to identify deficiencies and causes of the stated deficiencies (Refer to Tab C)
- D. *Source Documentation:*** This section provides explanation and examples of source documents utilized to support the SBR segment. Explicitly, this section includes the general ledger transaction detail, trial balances, and adjusting entries that are used in the compilation process. (Refer to Tab D)
- E. *Systems Documentation:*** This section identifies the systems that impact the SBR segment. Tab E of this package includes information on the applicable systems that an independent auditor may find useful in planning and performing an examination of this segment. (Refer to Tab E)
- F. *Audit Reports:*** This section includes a number of audit reports by the Government Accountability Office, Department of Defense Inspector General and the Naval Audit Service that have been issued on the Marine Corps or relative external entities that may have a bearing on the SBR segment. (Refer to Tab F)
- G. *Remediation Action Plan:*** This section includes steps to resolve identified deficiencies, and the plan identifies remediation currently taking place to address a number of identified deficiencies. (Refer to Tab G)

## Conclusion

This submission of the SBR package addresses key areas that are intended to show management's confidence in the Statement of Budgetary Resources. When the sections are taken all together, they demonstrate the Marine Corps' level of conviction in designing, implementing and sustaining processes to demonstrate financial responsibility which supports warfighting excellence. On the other hand, the Marine Corps recognizes there are several remediation activities that must be accomplished prior to submitting an assertion package. Audit readiness has not yet been accomplished based on the current discovery and remediation assessments performed. Implementation of remediation activities to resolve the reconciliation issues between the SABRS detail to the trial balance; and refinement of the data collection and maintenance process is critical to support the assertion quality of USMC General Fund. Other remediation activities are discussed in the Remediation Action Plan in Tab G. Marine Corps acknowledges this and is currently addressing the issues identified in the remediation action plan.

